

# PSJ3

## Exhibit 538

**DRAFT**

## Cardinal Health

SOM – Retail Chains

April 4, 2008

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## Objectives

- Engage the chain customers, working in partnership to leverage information in the prevention of controlled substance diversion
- Develop the process and technology to enable the early detection of a suspicious order pattern and the resolution of the issue prior to supply chain disruption
- *Stop subsequent orders once a "stop order" event has happened*
- Educate and communicate to internal stakeholders and external partners from the beginning of the transformation through execution
- Continually improve the process to "peel back the onion" regarding diversion, identifying better indicators of potential problems before an order is placed

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## Expectations

Sales has established the following expectations with chains:

- 60 day notice is given to the chain customers prior to starting SOM
- A sample (1 month of data) is run prior to starting SOM to identify issues
- A threshold report is provided on a daily basis (with historical purchase data)
- More than 24 hour notice is given when an order hits a threshold

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## Criteria/Requirements

Potential criteria have been identified for Cardinal's SOM process:

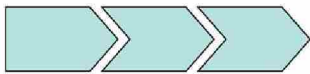
- History needs to be analyzed by customer/customer store (DEA#)
- Thresholds need to be set by customer/customer store
- Statistics need to be a rolling 30-day (29 days of history + 1 day of new orders) that updates daily as part of a report to customers
- Statistics need to address month-end; seasonality; new-store; merged store; change in store ownership; etc. Should keep profiles for events to be used to update thresholds
- Should use invoice data for history (fill and kill orders incorrectly increase usage totals)
- Communications ("early warning") should happen prior to a SOM event—for example, at 75% of threshold, an alert should be sent to sales to work with the account (or +2 std deviations from mean)

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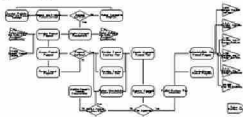
# 4 Streams

## Understanding the Customer



Partnering with select chains, leveraging the work done by both organizations to prevent diversion

## Developing the Process



Understand the current process developed for independent retailers and alter

## Developing the Technology



Put the right technology in place as a "safeguard" to identify potential problems early

## Adopting the Change



Partner, communicate and educate Cardinal employees and our chains from beginning to end

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## Understanding the Customer



- Discovery of what key retail chains are doing with anti-diversion. Understand history, process and data. Understand how we service the chains and how they order. Develop individual strategies and plans. If necessary, segment chains based on anti-diversion abilities.
- Leverage what key retail chains are doing to augment Cardinal Health SOM. Use SOM as a "safeguard" to diversion activities. Develop an early warning system and create a company-to-company process to resolve issues prior to supply chain disruption.
- Continue to use data acquired to become "smarter" in identifying diversion activities.

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## Discovery Agenda

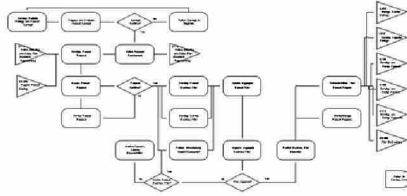
- Why are we there?
- Cardinal's role
- Customer's role
- Next steps
- What is going on with CS and the DEA?
- What is the impact to us (jointly)?
- What CAH did with Independent Retailers
- Want to leverage the work by Chains
- Continue to improve
- Explain what you're doing (policies, checks, etc.)?
- Articulate your needs (and specific challenges/issues)
- Commitment to collaborate with CAH
- High-level implementation plan
- Communication plan, roles, contacts

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## Developing the Process



- Understand the current process developed for the Retail Independent segment. Identify what is important and can be leveraged, and what needs to be changed.
- Develop process to get to Chain SOM. Develop on-going process to continuously improve and fine-tune anti-diversion capabilities.
- Issue—can the statistics be changed from current Retail Independent process
- Develop implementation plan and timeline.

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## Developing the Technology



- Understand the current technology developed for the Retail Independent segment. Identify what is important and can be leveraged, and what needs to be changed.
- Scrub the customer data base and identify opportunities to include characteristics important to anti-diversion.
- Develop flexibility to support individual chain/store strategies and approaches.
- Issue—Develop “early warning” capabilities to eliminate supply chain disruption when not necessary.
- Develop plan and timeline.

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## Adopting the Change

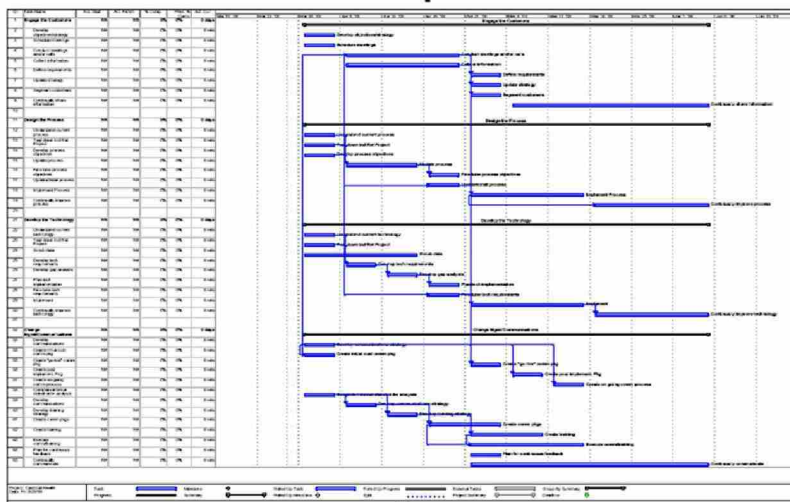


- Developing the Business Adoption Plan
- Create communications strategy for engaging key chains. Strategy should include initial discovery stage; involvement in the roll-out plan; continuous monitoring/sharing; continuous improvement.
- Create communications strategy for Cardinal Health. Complete a stakeholder analysis to assist in determining message, messaging and frequency.
- Train all key stakeholders involved directly with the implementation of SOM for Chain.

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# Workplan



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## Next Steps

- Ask Sales to set up initial meetings with chains (first one for April 10—Thursday)
- Develop communications strategy to accounts and develop meeting “package”
- Develop internal communications strategy
- Meet with QRA to discuss/resolve statistics for chains (other options; phased changes over time); early warning process; leveraging chain data; etc.
- Meet with IT regarding early warning system and scrubbing the data
- Fine tune workplan based on input from IT, QRA, other parts of the organization and customer feedback
- Develop project team and steering committee
- Identify resources needed
  - IT
  - QRA
  - Sales
  - Communications/Training/HR
  - Etc.
- Implement changes to process, technology and organization, and support new business process adoption through communications (internal/external) and training

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